

## Message Text

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15

ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 XMB-07 COME-00 FAA-00 TRSE-00

CIAE-00 DODE-00 INR-10 NSAE-00 PA-04 RSC-01 USIA-15

PRS-01 SPC-03 OPIC-12 AID-20 MC-02 DRC-01 /098 W

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R 300900Z NOV 73

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 285

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EO 11652: N/A

TAGS: ETRN, BEXP, CE

SUBJ: PROSPECTIVE GSL PURCHASE OF SECOND DC-8

REF: A) COLOMBO 2770; B) STATE 219869; C) STATE 224151

1. EMBOFF HAS INFORMED SENIOR OFFICIAL OF GSL PLANNING MINISTRY (WHO MADE APPROACH DESCRIBED REF A) THAT EXIMBANK, AS PRIMARY US SOURCE EXPORT FINANCING, COULD NOT NOW ENCOURAGE GSL EXPECT ITS ASSISTANCE OWING TO CEYLONS CURRENT UNCERTAIN ECONOMIC PROSPECTS.

2. PRECISE SITUATION ON AIR CEYLON PURCHASE DC-8 IS MOST UNCLEAR. FOLLOWING ARE MAIN POINTS WE SEE NOW:

A) SENIOR PLANNING MINISTRY OFFICIAL (DIRECTOR EXTERNAL RESOURCES) PROBABLY APPROACHED US WITHOUT KNOWLEDGE AIR CEYLON. IT IS CLEAR COMPLETE AGREEMENT DOES NOT EXIST AMONG AIR CEYLON AND SENIOR GSL OFFICIALS, POSSIBLY INCLUDING PRIME MINISTER, ON BEST METHOD FOR PURCHASE. WE DO NOT BELIEVE WE CAN NOW INTERROGATE AIR CEYLON ON ITS CURRENT DC-8 PLANS AND NEGOTIATIONS GIVEN PLANNING MINISTRY APPROACH.

B) STATUS OF UTA DC-8 PURCHASE FOR LEASE TO AIR CEYLON IS VERY UNCERTAIN. EXTERNAL RESOURCES DIRECTOR TOLD EMBOFF GSL HAS NO INTENTION TO LEASE AIRCRAFT FROM ANYONE.

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GSL WANTS AIR CEYLON TO OWN PLANE. FURTHERMORE, ACCORDING

NOVEMBER 21 ARTICLE IN CEYLON DAILY NEWS, AIR CEYLON IS UNLIKELY TO GET SECOND DC-8 THROUGH UTA UNTIL LATE 1974 BECAUSE "DELAY IN GRANTING APPROVAL (PRESUMABLY BY GSL) FOR SIGNING AGREEMENT TO PURCHASE AIRCRAFT APPEARS TO HAVE RESULTED IN FRENCH WITHDRAWING THEIR OFFER". ARTICLE GOES ON TO SAY PLANNING MINISTRY IS DUBIOUS WHETHER TERM OF PROPOSED AGREEMENT WOULD BE BENEFICIAL TO SRI LANKA.

3. IN ABSENCE FURTHER WORD ON REF B, WE HAVE NOT MENTIONED EXIM AUTHORIZATION TO GSL OFFICIALS. WE HAVE INFORMED PLANNING MINISTRY OF CURRENT UNAVAILABILITY DC-8-63 AND OF ADVISABILITY OF PROVIDING FURTHER SPECIFICATIONS, DESIRED TERMS, AND DELIVERY DATES FOR DISTRIBUTION TO AMERICAN VENDORS.

4. MEANWHILE, LOCAL REP MACDONALD DOUGLAS TOLD US JOHN LITTLE OF THAT FIRM VISITING COLOMBO ABOUT DEC 6 TO DISCUSS POSSIBLE SALE DC-8 AND TO PROMOTE EVENTUAL SALE OF DC-10. ACCORDING THIS SOURCE, AIR CEYLON GENERAL MANAGER HAS SAID AIR CEYLON MAY BE INTERESTED IN A MACDONALD DOUGLAS DIRECT OFFER FOR USED OR NEW AIRCRAFT BUT IS OBLIGED CONSULT UTA UNDER POOL AGREEMENT. MACDONALD DOUGLAS REPRESENTATIVE UNDERSTANDS A UTA TEAM WILL ALSO VISIT AIR CEYLON IN COLOMBO IN EARLY DEC.

5. DESPITE CONFLICTS IN AVAILABLE INFO AND PROBABLY GSL UNCERTAINTY AS TO BEST METHOD PROCURE SECOND DC-8, WE BELIEVE GSL DOES INTEND EVENTUALLY TO PURCHASE SECOND JET LINER. WITH RESPECT EXIM'S NEGATIVE CREDIT RATING SRI LANKA AND AIR CEYLON, WE BELIEVE AIRCRAFT FINANCING POSSIBILITY SHOULD BE RECONSIDERED IN LIGHT GSL'S RECENT FISCAL AND FINANCIAL REFORMS AND JUST-PUBLISHED REPORT SHOWING AIR CEYLON IS PROFITABLE AND A NET FOREIGN EXCHANGE EARNER. REPORT AND ANALYSIS BEING POUNDED. VAN HOLLEN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** JET AIRCRAFT, AIRCRAFT SALES, BANK LOANS  
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**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** worrelsw  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**TAGS:** ETRN, BEXP, CE  
**To:** STATE  
**Type:** TE  
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